

MARIN ENERGY AUTHORITY  
ISSUES RAISED BY LARKSPUR CITY COUNCIL & PARTIALLY ANALYZED  
BY CITY STAFF  
OCTOBER 29, 2008

1. MEA JPA
  - a. the JPA/CCA convergence is awkward, and doesn't work well.
  - b. "if – then", meaning if you join the CCA, then you can stay in the JPA. If you don't join the CCA, then you can't stay in the JPA.
  - c. The intent of co-joining the JPA & CCA was to make CCA one of several ways to meet AB 32/SB 375 mandates/challenges.
  - d. If the JPA/CCA configuration is problematic, perhaps it should be abandoned, e.g., let's revert to just the CCA, then develop a separate JPA to handle AB 32/SB 375.

The response to #1 a-d above is as follows: The JPA agreement was drafted by the Governance Committee between 2007 and early 2008. The agreement was then circulated for many rounds of comments among city and town council representatives, city managers and city and town attorneys during the spring and summer of 2009. The document was finalized in the fall of 2009. Council member Chu may be able to respond to questions about the final JPA agreement as he was a member of the Governance Committee since its formation in 2007.

2. Legal
  - a. With the CCA, is there or is there not a risk to the member's (City) underlying assets – jointly or severally?

No. This is clarified in the JPA Agreement in section 2.3. In addition, tort liability is addressed in section 8.3.

- b. Will a member (City) ever have to encumber or collateralize assets for operations or capital asset acquisition?

No. A member will not have to encumber or collateralize assets for operations or to acquire capital asset. A member may choose to do so, but only if they first seek and attain approval from their full city or town council. The rate payers are the collateral used to pay back borrowed capital and to cover operation expenses. In financing markets, a broad customer base for an essential service is strong collateral backing.

- c. Assuming each agency can/will suggest changes to the JPA agreement and/or ordinance during the public hearing processes, at what point will the amendments stop?

The document was finalized in the fall of 2009. See response to item #1 above for additional detail.

### 3. Governance and Operations

- a. Timing – the JPA goes into effect after 2 members have adopted the ordinance, plus 30 days, at which point the 180-day clock for members to join as an initial member starts ticking. Is it wise to initiate operations not knowing membership?

The JPA will go into effect on December 19, 2008. The timeline agreed to by the Local Government Task force in March 2008 was that each local government have 8 months to consider the item (between April and November 2008). It was agreed that each jurisdiction decide on joining during that timeframe so that the JPA could form in December, 2008.

Each local government in Marin has had the opportunity to participate in determining the timeline and has been informed of the timing of JPA formation beginning with the Local Government Task force between 2006 - 2008 and continuing through the education and outreach process in 2008. At this time 9 of the 12 Marin jurisdictions have approved their first reading, and 5 of those have completed both the first and final reading. While the JPA agreement allows for jurisdictions to join later if necessary, the JPA start up activities and initial meetings will occur following the agreed-upon schedule.

- b. Two members can form the JPA, and can then establish the mission, adopt by laws, set up a meeting schedule, hire staffing and issue the RFI/RFP by February 09?

Nine or more of Marin's jurisdictions are likely to be members of the JPA before its first meeting in late January or early February. Draft by-laws and the draft RFP will be reviewed at that time. A small staff and consultant team will be available for the first six months to help with the transition phase of the project.

- c. What if the 2 members who form the JPA don't make up the critical electrical mass, e.g., County of Marin, Novato, San Rafael?

In this scenario it is unlikely that the bidding process will be as successful due to economies of scale.

- d. Who will select and how will staff be selected in the initial phase? Who will do the work that apparently must be done by February 09?

A staff and consultant transition team is in place to carry the project through the next six months. This team will include many of the same consultants and County staff that have been managing the project for the last four years. As the JPA becomes functional, it will begin discussions around selecting a long-term

staff and consultant team. The design of the staff/consultant team will be influenced by the results of the bidding process. For this reason, JPA discussions around post-transition staffing is likely to occur in April and May of 2009.

- e. The only other CCA in existence has a governing board comprised of appointed official. MEA's governing board will be elected officials. Why the difference?

Just to clarify, there are actually CCA's outside of California with elected officials on their Board. This decision for MEA's governing board was made by the Governance Committee and shared with city and town representatives through the process of vetting the draft JPA Agreement. One reason for the decision was that the rate-setting responsibilities of the Board were viewed as an area where direct accountability to constituents is important.

- f. Will there or will there not be an advisory vote in Marin?

No jurisdiction in Marin has scheduled an advisory vote at this time.

- g. Even if an agency joins the JPA/CCA and then uses one of the "offramps" to withdrawn, is it realistic to think that such an action won't have political ramifications?

We would defer to others on this question.

- h. What is the purpose, missions of this effort? Power sustainability, electric cost controls, control GHG, meet environmental goals, construct power generation facilities? What is 1st, 2nd, 3rd?

All of the above. There are multiple and interrelated reasons for the effort. and the ranking is likely to differ depending on individual points of view. Stimulating the local economy is also a key purpose that should be added to the list.

To clarify original intent, two key goals set early-on by the local government task force are:

1. Keep rates at-or below PG&E rates
2. Achieve higher renewable energy content within economic constraints.

#### 4. Financial issues

- a. Is there a proposed operation budget, including staffing for the first five years?

Initial start up costs are listed in the chart below:

	RFP Process (February-April 2009)	Contract Negotiations and Review (June-August 2009)	Preparation for Launch (October 2009)
<b>Legal</b>	1. Support to JPA 2. Regulatory/CPUC \$ 55,000.00	1. Support to JPA 2. Regulatory/CPUC 3. Contract Review \$ 115,000.00	1. Support to JPA 2. Regulatory/CPUC \$ 80,000.00
<b>Technical</b>	1. RFP distribution, response to questions, and review responses \$ 60,000.00	1. Research and respond to questions \$ 20,000.00	1. Research and respond to questions \$ 20,000.00
<b>Staffing</b>	1. Sub-support to JPA \$ 40,000.00	1. Sub-support to JPA \$ 40,000.00	1. Executive director and support staff hire \$ 70,000.00
<b>Totals</b>	\$ 155,000.00	\$ 175,000.00	\$ 170,000.00

See the Business Plan starting on page 60 for detailed budget information for the first five year of operation and beyond.

- b. Where will continuing start up costs come from until the ratepayer revenue arrives? Revenue bonds? County loans?

See the Business Plan starting on page 60 for detailed budget information for the first five year of operation and beyond.

- c. What happens if the MEA cannot be formed or turns out to be infeasible at present because of market volatility? Will cities be asked to share in the start up costs?

If the CCA project does not go forward because there is not a good response to the RFP then other activities could be pursued by the MEA. Cities will not be asked to contribute to CCA start up costs in such a scenario as the project would be put on hold or simply abandoned.

- d. Financing/interest rate risks were projected in a different fiscal climate. Are the assumptions still good? What new factors should be considered?

There are some scenarios that are not as favorable in the current fiscal climate and some opportunities that are more favorable. Issuing an RFP and evaluating responses is the best way to test the market. This is scheduled to occur in early 2009.

- e. Every elective utility experiences peak volatility that cannot be immediately passed along to ratepayers. How will MEA provide baseline funding to offset this kind of volatility risk?

A 15% set-aside in surplus energy is required by each energy supplier, including MEA, to account for unexpected fluctuations. The California Independent System Operator is responsible for balancing the load on the State electricity grid to ensure the input to the system matches the draw on the system in real time.

- f. At what point and under what conditions will MEA consider ownership positions in electric generation facilities?

This will be considered in the RFP process in early 2009.

- g. What sort of collateral/hedge/insurance security will underlie MEA's revenue/cash flow-during periods of volatility?

The rate payers are the collateral used to pay back borrowed capital and to cover operation expenses. In financing markets, a broad customer base for an essential service is strong collateral backing.

- h. Is there a full understanding that MEA represents a high risk program of contracting for/acquiring a volatile commodity that cannot be stored, and that uses another (potentially hostile) entity's infrastructure, maintenance and distribution facilities and customer service?

Yes. This is why the program has undergone over five years of study, deep exploration by local government representatives, and had been the subject of extensive outside review, including independent peer-reviews.

- i. Rate analysis and recommendations about rate setting will likely be prepared for MEA Boards by contractors, probably persons unknown to MEA Board – is that OK?

This activity will be handled by staff hired by the MEA Board, under direction of the Executive Director also hired by the MEA Board. Consultants and contractors will be a source of information for the staff providing analysis and recommendations.

## 5. Other issues

- a. Is there any analysis or discussion of the amount of time and effort expected of Board members during the initial and on-going phases of this project?

Board members will be expected to attend an average of one Board meeting per month, and will also be asked to attend one educational meeting every 2-3 months.

b. What are the options for dealing with PG&E? Pros and Cons?

Several proposals have been submitted by PG&E after years of dialogue regarding CCA and greening Marin's energy supply. The current proposal represents a possible addition to, or alternative to the 'Marin Clean Energy' strategy. However, the current proposal needs additional information, clarification, and some corrections to allow for a clear and accurate understanding of the proposal and an "apples-to-apples" comparison of Marin's green energy options. As new information becomes available to clarify, correct and provide specific information on PG&E's partnership proposal it will be reviewed and incorporated into future discussions. Once formed, the JPA will continue discussions with PG&E representatives to further flesh-out the proposal.

c. According to the ISO, about 90% of Marin's energy via PG&E is already renewable from the geysers projects in Sonoma County. Does this information change the equation?

In energy accounting customer load is tied to a direct source and ratepayer dollars are tied to the pool they draw from. Energy accounting is done on the front end of the process so customers can claim what they purchase. The electrons of energy that flow through the wires are not tracked on the output side.

Because energy from the geysers is not directly purchased by Marin customers it actually only accounts for 2% of our current energy mix from PG&E. MEA would be considering a shift to purchase energy with a greater renewable mix. The output of the process is not relevant as it is not tracked, accounted for, or paid for.